**LQN: Explanation on negative owner’s equity and auditor's qualified opinion**

On April 15, 2024, Licogi Quang Ngai Joint Stock Company announced Official Dispatch No. 46/GT-CT on the explanation of negative owner’s equity and auditor's qualified opinion as follows:

1. Explanation of the auditor’s qualified opinion:

As of December 31, 2023, short-term debt exceeded short-term assets with the amount of VND 40,905,127,788 (as of January 1, 2023, it was VND 36,813,782,412), the Company's accumulated loss was VND 36,528,425,013 (as of January 1, 2023, it was VND 29,033,397,311). Total overdue debts as of December 31, 2023 were VND 109,456,859,627 (as of January 1, 2023, they were VND 116,220,034,533). The Company's business activities have suffered continuous losses in recent years, in 2023 the loss was VND 7,495,027,702 (in 2022 the loss was VND 12,446,435,977). The Company is lacking working capital to pay due debts. The Company's ability to continue operations depends on the debt recovery plan, completion and settlement of unfinished projects to recover money, extension of debt payments and financial support from shareholders and creditors.

As of January 1, 2023, the Company has not made a full provision for bad receivable debts with the amount of VND 8,517,756,739. If the Company made a full provision for bad receivable debts, on the Balance Sheet, the target of provision for bad receivable debts would increase to VND 8,517,756,739 and undistributed profit after tax would decrease by a corresponding amount.

In 2023, the Company failed to make full provision for doubtful debts with the amount of VND 16,269,959,495. If the Company made a full provision for bad receivable debts, on the Report on business results, general and administrative expense would increase to VND 16,269,959,495 and profit after would decrease by VND 16,269,959,495. At the same time, on the Balance Sheet, the target of provision for bad receivable debts will increase to VND 16,269,959,495 and undistributed profit after tax will decrease by corresponding amount.

1. Explanation of negative owner’s equity:

Including the following main causes:

1. Due to the impact of the difficult economy, targets decreased compared to plan
2. Increase in bank loan interest expenses, penalties for late payment of taxes and penalties for late payment of Social Insurance, and provision for doubtful debts.
3. Increase in input expenses for raw materials for production have increased, less fluctuation in competitive prices in the market to meet supply, many difficulties in production and business, leading to reduced revenue.

All above factors leads to the business not being able to cover financial expenses, selling expenses and general and administrative expenses. These are the causes of negative owner’s equity. Faced with the current situation, Licogi Quang Ngai Joint Stock Company is in the process of restructuring its business operations, specifically:

* Streamline operations and focus on production at the quarry
* Arrange with banks, taxes and social insurance to ensure working capital for business activities in the future.